AGENDA

Stadium Authority Meeting 99-500 Salt Lake Boulevard Aiea, Hawaii 96701 October 19, 2007 10:00 a.m.

- I. Call to Order
- II. Approval of Minutes of September 27, 2007
- III. Monthly Report
 - A. Chairman's Report
 - B. Stadium Manager's Monthly Report
 - C. UHAD Monthly Report
 - D. Centerplate/Swap Meet Monthly Report
 - E. Hawaii Malls Inc. Monthly Report
- IV. Approval of Events
 - A. Fernandez Events LLC Sports Carnival Lower Halawa Parking Lot March 7-9, 2008 (Friday-Sunday March 14-16, 2008 (Friday-Sunday)
 - B. Fernandez Events LLC
 50th State Fair
 Lower Halawa Parking Lot
 May 22 June 22, 2008 (Weekends)
 - C. Father Bray Football Classic August 16, 2008 (Saturday)
 - D. Major League Baseball March 28-29, 2008

Stadium Authority Meeting Agenda October 19, 2007 Page 2

- V. Unfinished Business- Discussion and Appropriate Action
 - A. Stadium Repair Work- Report on the progress of the stadium repair project.
- VI. New Business- Discussion and Appropriate Action
 - A. Aloha Stadium Advertising Contract- Report, discussion and action on the extension of Hawaii Malls' advertising contract with Aloha Stadium.
 - An Executive Session is expected in connection with this item.
 - B. Aloha Stadium Swap Meet-Report, discussion and action on the extension of Centerplate's management of the Aloha Stadium Swap Meet.
 - C. Stadium Manager- Discussion of the responsibilities of the stadium manager and oversight by the board.
- VII. Next Meeting November 29, 2007
- VIII. Adjournment



An Agency of the State of Hawaii

Stadium Authority Meeting 99-500 Salt Lake Boulevard Aiea, Hawaii 96701 October 19, 2007

Members Present:

Members Absent:

Kevin Chong Kee

Marvin Fong

Kay Ahina

Alexander Kane, Jr.

Kathryn Inouye

Nelson Oyadomari

Marcia Klompus Kenneth Marcus

Alan Tamayose

Staff Present:

Stephen Lee

Scott Chan Lois Manin

Shawn Nagata

Deborah Ishihara

Engel Garcia

Liane Nakagawa

Vinny Browne

Andrew Chang

Others:

John Dellera, Deputy Attorney General Russ Saito, State Comptroller Kerry Yoneshige, DAGS Herman Frazier, UH Athletics Roger Reeves, Centerplate Davy Maruyama, Centerplate Farah Cabrera, Centerplate Harriet Mizuguchi, Hawaii Malls Reid Mizuguchi, Hawaii Malls

I. CALL TO ORDER

A quorum being present, Chairman Kevin Chong Kee called the meeting to order at 10:02 a.m.

II. APPROVAL OF MINUTES – September 27, 2007 Meeting

Member Klompus asked that remarks attributed to her on page 8, paragraph 4 be removed from the minutes. Stadium Manager Scott Chan stated that under item IV. Approval of Events, D. Hula Bowl, date should read January 12, 2008.

ON A MOTION MADE BY MEMBER AHINA TO ACCEPT THE MINUTES OF THE SEPTEMBER 27, 2007 MEETING AS CORRECTED AND SECONDED BY MEMBER MARCUS, THE BOARD VOTED 5 TO 0 TO APPROVE THE MOTION. MEMBER INOUYE ABSTAINED.

III. MONTHLY REPORT

A. Chairman's Report

Chairman Chong Kee distributed to the Board copies of a letter from a Swap Meet vendor. The letter which was addressed to Governor Lingle complained about mismanagement of the stadium swap meet. A copy of the letter was forwarded to Deputy Stadium Manager Lois Manin. Ms. Manin stated that the vendor would like a response from the Board and not stadium management. The Board decided to discuss this topic during Centerplate's report.

B. Stadium Manager's Monthly Report

Mr. Chan stated that:

- Due to the highly successful University of Hawaii football team, the Boise State game is close to a sell out with approximately 47, 000 tickets sold.
- Management is investigating whether current fines for parking violations are adequate to discourage patrons from violating stadium parking policies during tailgating.
- A letter was sent to the Department of Land and Natural Resources requesting assistance on identifying the boundaries of the stadium to help the Stadium Authority determine the types of events that can be held here.
- He along with Mr. Saito and Chairman Chong Kee attended a
 neighborhood meeting organized by Representative Lynn Finnegan and
 Senator Norman Sakamoto at Foster Village. Attending these meetings
 will strengthen the relationship between the stadium and the community.
 The Board requested to be informed of future meetings. Mr. Chan will
 notify the Board of the dates and times.

- Two license agreements are being finalized. One is a concert at the end of December and the other is an international soccer tournament in 2008.
- Reports from stadium staff were in the Board's folders.

At this time, Member Ahina congratulated management on the smooth traffic and parking flow at the last UH football game.

Use of Stadium Property

Member Inouye asked for further clarification on a question posed at an earlier Board meeting as to the intended use of the physical facility as opposed to all uses being restricted to public recreation use.

Deputy Attorney General John Dellera stated that he is of the opinion that all of the land that is subject to the Federal deed restriction is to be used for a public park and public recreation and there are no exceptions. The deed is explicit. The penalty for violating the deed restriction is the Federal government's right to take the stadium land and improvements back.

The following points were discussed:

- Can the stadium property be used for private/commercial activity? A
 question was posed that if city parks and state facilities, such as public
 schools, the Hawaii State Art Museum, Washington Place, are allowed to
 have private events, can the stadium also be rented for private or
 commercial activity. Mr. Dellera noted that since the Governor of Hawaii
 dedicated the Stadium Authority's land for public use under the statute,
 legislation may be required to allow for private use.
- Mr. Dellera stated that a significant increase in private and commercial events during the last year was the reason he raised an issue about the Federal deed restrictions. If the stadium desires to lease the non-Federal portion of the stadium for commercial or private use to generate revenue to maintain the stadium, the Board may need to look into changing the law. DAGS has rules that gave the Hawaii State Art Museum the power to rent out parts of its facilities for fundraising purposes. The Board may need to have an amendment to its rules or to the statute if they plan to depart from public use.
- Mr. Saito stated that the Board issues rules for the stadium and can indicate events for non-recreational use if they so desire. Due to the fee schedule stated in the stadium rules, the Board may have private events allowable to the extent of the law. The rules do accommodate a variety of

private uses. The Board can use its discretion in approving events on a case-by-case basis because the Rules of the Stadium Authority allow it.

- The Board is concerned over the lack of use or down times of the stadium. With fewer major sports events occurring, what other events can the stadium pursue to bring in revenues?
- The Board will need to define what kind of events they want to promote before they hire a marketing consultant.
- Whether the City and County of Honolulu has dedicated land for public recreation is an open issue. Mr. Dellera read Public Law 102-381 enacted by Congress in 1993 which removes the federal deed restrictions, but provides "that the removal of the restrictions shall not be effective until the City and County of Honolulu have identified an equal amount of additional land and have agreed that such land shall be dedicated in perpetuity for public park and public recreational uses." Mr. Chan will follow up with a letter that was sent to the City and County of Honolulu asking if 56.8 acres have been dedicated for public recreation since 1993. Mr. Dellera stated that if a park facility was dedicated in perpetuity for public recreation and public park purposes and if it exceeds 56.8 acres then the Authority can go to the Department of the Interior with the evidence of that and ask that it acknowledge that the deed restriction is relinquished. Once a formal acknowledgement is made and the federal deed restrictions are relinquished, the stadium's property would be subject to the state statutes that require public use, and any amendments that could authorize certain kinds of private events. Mr. Saito cautioned the Board about other pressures if this change occurs, for example, from private and commercial developers.

MEMBER INOUYE MADE A MOTION TO REQUEST A WORKSHOP AT A PUBLIC MEETING TO DISCUSS USES OF THE STADIUM AND THE JOB DESCRIPTION FOR THE MARKETING PERSON. THE MOTION WAS SECONDED BY MEMBER KLOMPUS AND WAS UNANIMOUSLY CARRIED.

C. UHAD Monthly Report

Athletic Director Herman Frazier stated that the increase in the University of Hawaii (UH) football ticket sales is attributed to the success of the team. Approximately 1.3 million households watched the UH-San Jose Mr. Frazier announced that the UH homecoming will be against New Mexico State and the final three games should be great matches.

D. Centerplate/Swap Meet Monthly Report

Farah Cabrera reported that Centerplate has taken Member Marcus' suggestion of hosting a Halloween event. Vendors will be competing for best decoration and costumes. The winner will be awarded three days of free rent. For the customers, a keiki costume contest will be held. A car show is scheduled for November and in December, the Hawaii Humane Society will be showcased.

Ms. Cabrera stated that Roger Reeves and Davy Maruyama just returned from the mainland where they visited several stadiums. At the next meeting, they will report on their findings regarding management and promotions held at these stadiums.

Finally, she reported that the concessions during the UH games have been very successful. Non-profit groups are volunteering at the concessions to raise funds for their organization. Member Klompus remarked that friends have raved about the variety, taste, and cost of the food offered this season.

Mr. Reeves addressed the letter from the swap meet vendor. He explained that since they could not ascertain which vendors submitted the proper paperwork for permanent stalls, Centerplate decided to grandfather in all vendors who had permanent stalls. Mr. Reeves commented that it was difficult to make a decision based on accusations and when people are not willing to step forward. They gave opposing vendors a set time period to transfer stalls and acquire permanent stalls if they so desired. The period has elapsed and Centerplate is handling the acquisition of permanent stalls through a lottery system. The Board recommended that Mr. Reeves and Mr. Maruyama meet with this particular vendor in a business setting, not when he is working in his stall. The Board emphasized that this issue must be resolved. They would like Centerplate to work at improving the business environment by building a better working relationship with the vendors. Mr. Reeves also reported that the Rules and Regulations is almost complete and will give a copy to Ms. Manin.

E. Hawaii Malls Inc. Monthly Report Hawaii Malls presented their report under New Business.

IV. APPROVAL OF EVENTS

A. Fernandez Events LLC, Sports Carnival March 7-9, 2008; March 14-16, 2008

Member Ahina asked why E.K. Fernandez did not complete items 8 and 9 on the stadium's Application for Use of Aloha Stadium Facility. The Board also noted that the G.E. Tax number was an old number. Mr. Chan responded that

management will be more diligent in making sure applications are properly completed and procedures followed.

The Board inquired whether a state tax clearance from a licensee is required prior to having its event at the stadium. Several positions on this matter were raised. Ms. Deborah Ishihara, Stadium Administrative Services Officer, stated that the tax clearance would not be required up front due to the state statute that requires the last payment to the licensee be withheld until the vendor can prove that they are current. Mr. Saito stated that the state procurement code which covers goods, services, and construction requires that all people whom the state has contracted follow applicable state laws. One is to have tax clearance from both the state and federal tax departments. Mr. Dellera stated that the Rules of the Stadium Authority state that "the applicants shall set forth such information as may be requested by the Authority including but not limited to financial statements, income tax returns and other documentations of financial condition." Thus, the stadium could ask for a state tax clearance but it is not required by law. The Board determined that more discussion is needed before a decision can be made on this matter. It will be discussed further at a future meeting as New Business.

A MOTION WAS MADE BY MEMBER KLOMPUS AND SECONDED BY MEMBER TAMAYOSE TO APPROVE THE EVENT. THE MOTION UNANIMOUSLY CARRIED.

B. Fernandez Events LLC, 50th State Fair May 22-June 22, 2008 (Weekends)

A MOTION WAS MADE BY MEMBER KLOMPUS AND SECONDED BY MEMBER INOUYE TO APPROVE THE EVENT. THE MOTION UNANIMOUSLY CARRIED.

- C. Father Bray Football Classic
 August 16, 2008
 A MOTION WAS MADE BY MEMBER INOUYE AND SECONDED BY
 MEMBER KLOMPUS TO APPROVE THE EVENT. THE MOTION
 UNANIMOUSLY CARRIED.
- D. Major League Baseball March 28-29, 2008

MEMBER INOUYE MADE A MOTION TO DECLINE APPROVAL OF MAJOR LEAGUE BASEBALL. MEMBER TAMAYOSE SECONDED THE MOTION AND THE MOTION WAS UNANIMOUSLY CARRIED.

V. UNFINISHED BUSINESS – Discussion and Appropriate Action

A. Stadium Repair Work – Report on the progress of the stadium repair project

Mr. Saito distributed a summary of the stadium repairs. He noted that the mauka, north corner of the stadium has the most corrosion due to exposure to weather conditions. Governor Lingle has released the \$12 million that was appropriated for repairs. The repairs to the elevators, restrooms, etc. will be done in increments. The Board raised concerns of legislators' attitudes toward the stadium. Some are in favor of a new facility and may want to do only minimal work on the existing stadium. Member Inouye commented that the Board needs to encourage legislators to support Aloha Stadium. Chairman Chong Kee will hold a meeting with Mr. Saito and Member Inouye to brainstorm on this matter.

VI. NEW BUSINESS – Discussion and Appropriate Action

A. Aloha Stadium Advertising Contract – Report, discussion, and action on the extension of Hawaii Malls advertising contract with Aloha Stadium

Based on the questions that were raised at the previous board meeting as to why the advertising contract was extended, Mr. Dellera presented an executive summary. The summary was based on his understanding of the events that transpired and with discussions with Mr. Chan. Mr. Dellera also prepared a chronology of events.

In summary, the present advertising contract with Hawaii Malls was awarded in 2005 and would expire on April 30, 2008. When its contract was extended, Hawaii Malls had sold its entire contractual inventory, and because of restrictions on the length of time advertising could remain in place, it would not be able to enter into new contracts for periods after April 2008 without extending its term. With the success of the UH football team, the value of advertising space had increased, but unless the contract was extended, the Stadium Authority would have missed the opportunity to lock in the higher rates until a new contract was in place next spring.

In March 2007, management asked the State Procurement Office (SPO) to prepare the paperwork to extend the Hawaii Malls contract. At the April and May 24, 2007 Authority meetings, Board members raised questions about unsold inventory and about the revenue of the advertising program because it had been basically flat over the years. Although there were reasons for that, the Board had concerns about the advertising contract and wished to make changes and put it out to bid. The Chair intended to appoint a sub-committee in June but none was appointed.

At the June 28, 2007 board meeting, Mr. Mizuguchi attended the meeting and answered questions from the Board. The day after the June meeting, SPO presented documents to the newly appointed Stadium Manager for signature to

extend the contract. A revised memo from SPO a week later was signed changing the one-year extension to a two-year extension. The documents were sent to Hawaii Malls in July. Hawaii Malls signed the extension on July 11, 2007 and SPO signed on behalf of the state on September 5, 2007.

Hawaii Malls Presentation

Harriet Mizuguchi and Reid Mizuguchi of Hawaii Malls did a presentation to the Board. Ms. Mizuguchi stated that they are in the 3rd year of their 3-year advertising contract with Aloha Stadium and has extended it for another two years. Hawaii Malls is the exclusive representative of CBS Outdoor in Hawaii, the world's largest outdoor advertising company.

Hawaii Malls had the advertising contract since 1999. Mr. Mizuguchi reported that they have sold designated inventory areas as stated on the contract—scoreboards, jumbotron, and dot matrix screens and have also identified opportunities for revenue growth. With the concerns regarding revenues, Hawaii Malls looked for new inventory. The banners on rooftops and in the parking lots were all new inventory items. Hawaii Malls have developed new partnerships with media outlets. Mr. Mizuguchi noted that according to the contract, advertising does not include any field signage, field banners, sideline signatures, or goal post netting which belongs to the licensee.

Mr. Mizuguchi reported that exclusivity is a vital part of the advertising program which includes bottled water, soft drinks, and banking. It brings in more than 15% of the revenue. First Hawaiian Bank and Pepsi panels are high profile locations. For both companies to make it work, they subleased the bottom portions and split the panels to make it more feasible for them to afford it.

Hawaii Malls have 21 new advertisers in the program with new inventory areas that were identified for the stadium. These new areas have generated approximately \$70,000 of additional revenues to the program. Mr. Mizuguchi stated that there has been double-digit growth for each year for the last three years with anticipated total sales for 2007-2008 of over \$411,000.

Current sponsors listed UH football as the top target audience to market their products and services. Based on SMS Research, 242,000 watch UH football on television. Hawaii Malls has partnered with K-5 television station and ESPN 1420 AM radio station to give sponsors additional exposure.

Discussion

With the extension of the advertising contract, the Board wanted to know how many multi-year contracts were signed from 2007 and after. Mr. Mizuguchi

stated that they were unauthorized to sell anything. Ms. Mizuguchi stated that since they were instructed to wait, they did not initiate any new contracts. However, they have had requests from other advertisers and have been reviewing their inventory for packaging. The Board questioned why it was imperative that the contract be extended if no new multi-year contracts were sold. And since the advertiser pays for a revenue bond, the stadium would not be affected financially if the advertisers did not remove its equipment.

At 1:17 p.m., MEMBER MARCUS MADE A MOTION TO ENTER INTO EXECUTIVE SESSION TO CONSULT WITH COUNSEL TO UNDERSTAND ITS CONTRACTUAL POSITION WITH HAWAII MALLS. MEMBER AHINA SECONDED THE MOTION. THE MOTION WAS UNANIMOUSLY CARRIED.

The Board reconvened at 2:23 p.m.

Citing faulty mechanics in the existing Hawaii Malls contract, A MOTION WAS MADE BY MEMBER MARCUS TO TERMINATE THE AGREEMENT AND PUT THE CONTRACT OUT FOR BID SO AS TO HAVE ONE IN PLACE AS SOON AS REASONABLE AND PRACTICABLE WITH MODIFICATIONS TO THE PRESENT TERMS AS A COMMITTEE OF THE BOARD MAY DEEM APPROPRIATE. THE MOTION WAS SECONDED BY MEMBER TAMAYOSE. THE MOTION WAS UNANIMOUSLY CARRIED.

Chairman Chong Kee appointed a subcommittee to look into the advertising agreement. Members Marcus, Klompus, and Inouye will serve on the committee with Member Marcus as Chair. Mr. Dellera will also be on the committee along with stadium staff as designated.

At this time, Chairman Chong Kee deferred the last two items under New Business (Aloha Stadium Swap Meet and Stadium Manager) to next month's meeting.

Members of the Board asked if a committee should be formed for the Swap Meet contract, and questions were raised regarding the authority of the manager and the board. Mr. Dellera stated that he has drafted simple by-laws that would set forth basic parameters and sent them to the stadium manager for comment. The Board could determine whether they want to have by-laws that define what issues the Stadium Manager has authority to decide and how the Stadium Manager relates to the Board, as well as, other internal matters. Member Klompus requested that Mr. Dellera send them his draft.

The Board requested that Mr. Chan prepare a summary of the seven contracts that the stadium has for the next board meeting. The Advertising and Swap meet contracts are the only contracts that the Board needs to address at this time.

VII. NEXT MEETING

November 29, 2007

VIII. ADJOURNMENT

2:35 P.M.

KEVIN CHONG KER

Chairman

Recorded by: Susan Bannister

Approval date: _____// - 2 9 - 0 7